

## Message Text

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ORIGIN INR-10

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INFO AMEMBASSY ABU DHABI

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AMEMBASSY CAIRO

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C O R R E C T E D C O P Y (SINAI OMITTED AS ORIGINAL ADDEE)

E.O. 11652: XGDS-2

SSG, IS, PINR

SUBJECT:INTSUM 588 - JUNE 19, 1978

LONDON FOR KINSOLVING  
PARIS FOR NICHOLAS MURPHY  
OTHER ADDRESSEES FOR CHIEFS OF MISSION

1. ISRAEL. YESTERDAY, THE ISRAELI CABINET ISSUED ITS  
RESPONSE TO THE TWO QUESTIONS ON THE WEST BANK. THE CARE-  
FULLY WORDED STATEMENT WENT AS FOLLOWS:

"THE GOVERNMENT OF ISRAEL CONSIDERS IT VITAL TO CONTINUE  
THE PEACEMAKING PROCESS BETWEEN ISRAEL AND ITS NEIGHBORS.

THE GOVERNMENT OF ISRAEL AGREES THAT FIVE YEARS AFTER  
THE APPLICATION OF ADMINISTRATIVE AUTONOMY TO JUDEA,  
SAMARIA, (THE WEST BANK) AND GAZA, WHICH WILL COME INTO  
FORCE UPON THE ESTABLISHMENT OF PEACE, THE NATURE OF  
RELATIONS BETWEEN THE PARTIES WILL BE CONSIDERED AND AGREED  
UPON AT THE SUGGESTION OF THE PARTIES.

FOR PURPOSES OF REACHING AGREEMENT, THE PARTIES WILL  
CONDUCT NEGOTIATIONS BETWEEN THEM WITH THE PARTICIPATION  
OF REPRESENTATIVES OF JUDEA, SUMARIA, AND GAZA AS ELECTED  
WITH THE ADMINISTRATIVE AUTONOMY PLAN."

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2. TWO KEY POINTS ARE THAT CONSIDERATION OF THE FUTURE  
OF THE WEST BANK AND GAZA WOULD BE POSTPONED UNTIL AFTER  
THE END OF A FIVE-YEAR PERIOD OF LIMITED SELF-RULE AND  
THAT THE FIVE-YEAR PERIOD WOULD BEGIN WITH THE ESTABLISH-  
MENT OF PEACE. THE DECISION WAS REPORTEDLY REACHED BY  
A MAJORITY VOTE IN THE CABINET. ISRAELI ARMY RADIO SAID  
WEIZMAN AND THE FOUR DMC MINISTERS VOTED AGAINST IT.

3. THERE IS LITTLE INFORMATION ON THE BY-PLAY WITHIN THE  
CABINET. ONE STICKING POINT SEEMS TO HAVE BEEN WEIZMAN'S  
USAGE OF THE PHRASE "FINAL STATUS" WHEN REFERRING TO THE  
ARRANGEMENTS TO BE WORKED OUT FOR THE WEST BANK AND GAZA  
AFTER FIVE YEARS. BEGIN REPORTEDLY BELIEVE THE PHRASE  
WAS AN UNACCEPTABLE EROSION OF ISRAELI'S NEGOTIATING  
POSITION. IT WOULD, IN HIS VIEW, HAVE COMMITTED ISRAEL  
TO NEGOTIATE OVER THE SOVEREIGNTY OF THESE AREAS AT THE  
END OF FIVE YEARS, WITHOUT RECIPROCAL CONCESSIONS FROM  
THE ARABS.

4. EACH PERSONALITY HAD HIS OWN REASONS FOR DEFERRING  
TO A VAGUE COMPRISE FORMULA:

(A) WEIZMAN, WHO HAS NO SOLID POWER BASE, REMAINS POLITICALLY TIMID IN THE WAKE OF HIS CHALLENGE TO BEGIN LAST SPRING AND WISHES TO AVOID UNDULY ANTAGONIZING HIM AGAIN;

(B) DAYAN, A MAVERICK WITH NO SIGNIFICANT POLITICAL SUPPORT, WOULD NOT WISH TO ABDICATE HIS IMPORTANT PORTFOLIO AND BANISH HIMSELF AGAIN INTO THE POLITICAL WILDERNESS;

(C) THE NRP FINDS MORE TO BE GAINED FROM REMAINING IN THE COALITION THAN BRINGING IT DOWN.

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5. THE DMC STANDS TO SUFFER THE MOST FROM THE DEBATE. FRUSTRATED BY ITS INABILITY TO INFLUENCE POLICY FROM WITHIN THE COALITION, THE DMC WOULD FACE POSSIBLE OBLIVION IF IT LEFT THE GOVERNMENT. A HEBREW UNIVERSITY OPINION POLL PUBLISHED LAST WEEK INDICATED THAT THE DMC WOULD LOSE MOST OF ITS SEATS IF A NEW ELECTION WERE HELD; ONLY 22 PERCENT OF THOSE WHO VOTED FOR THE DMC WOULD DO SO AGAIN, IF YADIN CHOOSES TO REMAIN IN THE GOVERNMENT, ON THE OTHER HAND, A NON-COMMITTAL BEGIN RESPONSE TO

THE US COULD BE THE CATALYST TO SPLIT THE DOVES FROM THE DMC. (CONFIDENTIAL)

6. EGYPT. THE EGYPTIANS WILL MOST LIKELY REGARD THE ISRAELI RESPONSE AS INADEQUATE. THEY HAD PLACED CONSIDERABLE SIGNIFICANCE ON HOW THE ISRAELIS ANSWERED, AND IT HAD BEEN WIDELY VIEWED IN CAIRO AS THE CULMINATION OF THE PROCESS OF THE LAST FOUR YEARS. MOST EGYPTIANS HAD CONCLUDED THERE WAS ONLY A FAINT HOPE LEFT THAT SADAT'S INITIATIVE COULD SUCCEED, AND THE ISRAELI RESPONSE MAY EXTINGUISH THAT.

7. ONUS FOR THE STALEMATE SURELY WILL BE PLACED SQUARELY ON THE ISRAELIS AND PRIMARILY ON BEGIN. BEGIN IS REGARDED AS HAVING PURPOSEFULLY SOUGHT TO SCUTTLE PEACE EFFORTS, AND MORE AND MORE EGYPTIANS SEEM TO BELIEVE THAT A SETTLEMENT IS IMPOSSIBLE AS LONG AS HE REMAINS IN OFFICE. THIS VIEW IS BASED NOT ONLY ON THE INADEQUACY OF BEGIN'S RESPONSE TO SADAT'S JERUSALEM VISIT, AS THEY SEE IT, BUT ALSO ON WHAT EGYPTIANS DESCRIBE AS THE CONTINUING ISRAELI EXPANSION OF SETTLEMENTS AND THE EXPLOITATION OF THE NATURAL RESOURCES IN THE OCCUPIED TERRITORIES.

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8. AS PERCEIVED ISRAELI INTRANSIGENCE GROWS, THE EGYPTIANS BECOME MORE SENSITIVE TO THE VIEWS OF OTHER ARABS WHO HAVE FROM THE ONSET BEEN SKEPTICAL OF THE WISDOM OF SADAT'S INITIATIVE. FOR EXAMPLE, EMBASSY CAIRO REPORTS THAT THE EGYPTIANS ARE ALSO FEELING ISOLATED IN INTERNATIONAL FORA AS A RESULT OF THE STALLED PEACE PROCESS, RADICAL ARAB ATTACKS, AND THE AGGRESSIVE ISRAELI POLICY IN THE OCCUPIED TERRITORIES. ALTHOUGH THE EGYPTIANS WILL NOT ADMIT IT, THERE IS ALSO A WIDESPREAD FEELING OF HUMILIATION. THE CONSEQUENT TOUGHER EGYPTIAN POSTURE IN SUCH FORA WILL NO DOUBT CONTRIBUTE TO ISRAELI FEARS, THE EMBASSY OBSERVES, BUT WILL NOT LIKELY AFFECT SADAT'S COMMITMENT TO THE PEACE PROCESS.

9. NOW, AS A RESULT OF THE INCONCLUSIVE ISRAELI RESPONSE TO THE TWO WEST BANK QUESTIONS, SADAT WILL NO DOUBT EXPECT THE US TO PRESS THE ISRAELIS CONCERNING A WITHDRAWAL ON ALL FRONTS. ANY HINT OF AN EROSION IN THE US POSITION AT THIS JUNCTURE WILL HAVE A DEMORALIZING IMPACT ON SADAT AND HIS ADVISERS. IT WOULD NOT NECESSARILY MEAN THE END OF THE SADAT INITIATIVE BUT IT COULD CONTRIBUTE TO THE UNDERMINING OF SADAT'S CONFIDENCE IN THE US. (SECRET)

10. LEBANON. FIVE PHALANGISTS WERE REPORTED KILLED BY THE SUPPORTERS OF FRANJIYAH. THIS IS IN RETALIATION FOR THE DEATH OF TONY FRANJIYAH. EACH SIDE APPARENTLY IS CONSOLIDATING ITS POSITION IN PREPARATION FOR A PROTRACTED "GANGLAND" STYLE WAR IN THE NORTH.

11. MEANWHILE, REPORTS FROM SOUTH LEBANON INDICATE THAT TENSION BETWEEN UNIFIL AND THE PALESTINIANS AND UNIFIL AND THE CHRISTIANS HAVE INCREASED. PRIME MINISTER HOSS HAS STATED THAT ALL UNITS IN THE SOUTH HAVE BEEN ORDERED TO THEIR BARRACKS, BUT WE NOTE THAT SUCH PUBLIC STATEMENTS HAVE ONLY COME FROM THE MUSLIM PRIME MINISTER AND NOT FROM THE CHRISTIAN PRESIDENT, DEFENSE MINISTER OR CHIEF OF SECRET

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STAFF. AS A CONSEQUENCE, IT APPEARS TO MANY LEBANESE NOT TO REPRESENT A CONSENSUS OF THE ENTIRE GOVERNMENT. (LIMITED OFFICIAL USE)

12. OPEC. OPEC OIL MINISTERS NOW MEETING IN GENEVA HAVE FAILED SO FAR TO REACH AGREEMENT ON OIL PRICING. SAUDI ARABIA HAS PUSHED FOR NO CHANGE IN PRICES, WHILE OTHER

PARTICIPANTS HAVE URGED HIGHER PRICES TO OFFSET THE LOST PURCHASING POWER OF OIL REVENUES CAUSED BY THE FALL IN THE VALUE OF THE DOLLAR SINCE THE PREVIOUS PRICE INCREASE IN JANUARY 1977.

13. SAUDI CROWN PRINCE FAHD ARRIVED UNEXPECTEDLY IN GENEVA YESTERDAY, APPARENTLY TO RESOLVE THE ISSUE IN AN EXTRA SESSION TODAY. WE DO NOT KNOW WHETHER FAHD'S ROLE WILL BE TO LEND STRENGTH TO THE SAUDI POSITION OR TO ENGINEER A COMPROMISE WITH THE ADVOCATES OF HIGHER PRICES.

14. MINISTERS OF OTHER COUNTRIES HAVE CALLED FOR EITHER A DIRECT PRICE INCREASE OR FOR DENOMINATING OIL IN TERMS OF A GROUP OF CURRENCIES IN ORDER TO PROTECT AGAINST FURTHER DECLINES IN THE DOLLAR. SAUDI OIL MINISTER YAMANI HAS ARGUED THAT THE CURRENT WORLD OIL SURPLUS PRECLUDES A PRICE INCREASE. HE FORESEES A STRENGTHENING DOLLAR AND CONSEQUENT RECOVERY IN THE PURCHASING POWER OF OIL REVENUES. (CONFIDENTIAL) VANCE.

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